

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /092 W

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R 121655Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9199

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: ELAB, EC, PINT, UK

SUBJECT: A CONSERVATIVE LOOKS AT INDUSTRIAL RELATIONS

1. BEGIN SUMMARY: JAMES PRIOR, SHADOW SECRETARY OF
STATE FOR EMPLOYMENT, MADE IT CLEAR -- AT LEAST IF HE
HAS ANYTHING TO SAY ABOUT THE MATTER - THAT THE CONSER-
VATIVES WOULD NOT TRY TO RETURN TO THE HEATH GOVERNMENT'S
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INDUSTRIAL RELATIONS POLICY WHEN IT RETURNS TO POWER,

NOR WOULD IT REINTRODUCE A STATUTORY INCOMES POLICY. ON THE OTHER HAND, HE SAID THAT THE CONSERVATIVES WERE NOT NOW PREPARED TO OFFER AN ALTERNATIVE TO LABOR'S SOCIAL CONTRACT, WHICH HE CHARACTERIZED AS A "CON-TRICK" DOOMED TO FAIL. HE -- FOR ONE -- WAS "KEEPING HIS POWDER DRY". THE SHADOW SECRETARY MADE THESE AND OTHER POINTS DURING A MEETING WITH LONDON-BASED LABOR ATTACHES ON MARCH 10, BUT HE REFUSED TO BE DRAWN INTO A DIRECT DISCUSSION OF SPLITS IN THE CONSERVATIVE PARTY. END SUMMARY.

2. THE SHADOW EMPLOYMENT SECRETARY, WHO WAS ACCOMPANIED BY DAVID MADEL AND ESMOND BULMER, TWO BRIGHT AND PERSON-ABLE YOUNG CONSERVATIVE MEMBERS OF PARLIAMENT, CHARACTERIZED THE SOCIAL CONTRACT AS A PURELY "POLITICAL EXPEDIENT" AND ONE WHICH REFLECTED AN EFFORT BY THE LABOR PARTY TO "OVER-COMPENSATE" IN ITS DEALINGS WITH THE TRADE UNIONS (PRESUMABLY AFTER THE BREAKDOWN IN THE LABOR PARTY-TUC RELATIONS OVER INDUSTRIAL RELATIONS POLICY DURING THE 1966-1970 PERIOD). HE EMPHASIZED THAT THE SOCIAL CONTRACT HAS BEEN IN PLACE ONLY A YEAR AND THAT IT WAS PROCEEDING TO FALL APART SINCE UNIONS WERE NOT ABIDING BY ITS TERMS "WHATEVER THEY ARE". AND, HE NOTED, MICHAEL FOOT HAD BECOME TIRED, DISILLUSIONED AND FRUSTRATED IN HIS CONSTANT EFFORT TO RESOLVE DISPUTES WHICH ARE PLAGUING GOVERNMENT -- INCLUDING ONE AT THE COMMONS ITSELF INVOLVING BLUE COLLAR WORKERS.

3. MR. PRIOR SAID HE SHARED THE APPROACH OF THE CHANCELLOR OF THE EXCHEQUER DENIS HEALEY, WHO WAS MAKING IT CLEAR THAT THE BEST CORRECTIVE TO INFLATION (RESULTING FROM EXCESSIVE WAGE DEMANDS) WAS INCREASED UNEMPLOYMENT WHICH WILL BECOME MORE APPARENT EITHER IN THE APRIL 15TH BUDGET OR CERTAINLY IN THE JULY BUDGET. ALTHOUGH PRIOR DID NOT BELIEVE THAT THE CHANCELLOR WOULD USE THE TAX MECHANISM TO DAMPEN DOWN INFLATION BECAUSE THE GOVERNMENT WAS TAKING ALL IT COULD FROM THAT SOURCE, MR. MADEL EXPRESSED HIS OWN VIEW THAT THE CHANCELLOR MIGHT VERY WELL USE THE TAX PROCESS FOR THIS PURPOSE.

4. MR. PRIOR APPEARED TO MAKE SOME EFFORT TO IDENTIFY LIMITED OFFICIAL USE

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HIMSELF AS A CAUTIOUS BUT MIDDLE OF THE ROAD FIGURE. FOR EXAMPLE, HE BELIEVES THAT THE CONSERVATIVES UPON RETURNING TO POWER SHOULD NOT TRY TO OVERTURN COMPLETELY THE STRUCTURES ESTABLISHED BY THE LABOR GOVERNMENT. SPECIFIC ELEMENTS SHOULD BE EXAMINED. IN THE INDUSTRIAL RELATIONS FIELD, FOR EXAMPLE, THE CONSERVATIVES WOULD WANT TO INSURE THE PROTECTION OF INDIVIDUAL TRADE UNIONISTS AND THEREFORE WOULD REPEAL CERTAIN CLOSED SHOP LE-

GISLATION (NOW PENDING BEFORE THE PARLIAMENT).

5. HE WAS AGAINST THE INTERVENTION OF LAW DIRECTLY IN INDUSTRIAL RELATIONS, BUT WOULD PREFER USING OTHER INDIRECT MEANS -- SUCH AS SOCIAL SECURITY MEASURES TO DEAL WITH INDUSTRIAL RELATIONS. (HE DID NOT ELABORATE ON THIS ALTHOUGH HE MAY BE REFERRING TO THE IDEA OF LIMITING SOCIAL SECURITY PAYMENTS TO STRIKERS WHICH MIGHT PERHAPS PLACE HIM IN THIS RESPECT ACTUALLY TO THE RIGHT OF KEITH JOSEPH.) HE ALSO FAVORED PROMULGATION OF A CODE OF FAIR LABOR PRACTICES. AS FOR THE CURRENT INDUSTRY BILL, IF IT BECAME LAW, HE WOULD SEEK TO MODIFY ITS PROVISIONS PROVIDING FOR DISCLOSURE OF COMPANY INFORMATION AND FOR SUBSTANTIAL INVESTMENT IN PROFITABLE

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ENTERPRISES. MR. PRIOR DENIED THAT THE CONSERVATIVE PARTY WAS THE PARTY OF THE CONFEDERATION OF BRITISH INDUSTRY IN THE SAME WAY AS THE LABOR PARTY WAS THE PARTY OF THE TUC (ALTHOUGH MANY OF HIS OWN VIEWS SEEM IN FACT TO COINCIDE WITH THOSE OF THE CBI).

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6. THE SHADOW EMPLOYMENT SECRETARY WAS RELUCTANT TO BE DRAWN INTO A DISCUSSION ABOUT INTERNAL SPLITS IN THE CONSERVATIVE PARTY. HOWEVER, WHEN HE WAS ASKED WHETHER THERE WERE SEVERAL -- AND RIVAL -- CONSERVATIVE PARTY INSTITUTIONS SUCH AS THE CONSERVATIVE RESEARCH DEPARTMENT OR CENTER FOR POLICY RESEARCH (REF A-207) HE SAID THERE WAS OF COURSE ONLY ONE -- THE FORMER. HOWEVER, HE CHARACTERIZED THE SECOND AS KEITH JOSEPH'S "PRIVATE ARMY" AND JOINED IN THE LAUGHTER WHEN ONE OF HIS AUDITOR'S JOKED: "YOU MEAN HIS MERCENARIES?" LATER HE SAID THERE WERE THOSE IN THE PARTY WHO WERE PURE MONETARISTS AND THOSE WHO WERE NOT, BUT HE WAS IN THE MIDDLE, SINCE HE BELIEVED THAT MONETARY POLICY WAS ONLY ONE ELEMENT (IN DEALING WITH ECONOMIC AND SOCIAL PROBLEMS).

7. MR. PRIOR WAS PREPARED TO ACCEPT THE VIEW OF SEVERAL LABOR ATTACHES -- IN CONTRAST TO THE SITUATION PREVAILING DURING THE HEATH GOVERNMENT -- THAT THE CONSERVATIVES MUST OBTAIN AT LEAST THE PASSIVE ACCEPTANCE OF THE TRADE UNIONS TO INDUSTRIAL RELATIONS POLICY IF THEY ARE TO BE SUCCESSFUL. IT WAS HIS DEFINITE INTENTION TO COMMUNICATE WITH THE TUC. (PRIOR CLAIMED THAT ABOUT 40 PER CENT OF THE WORKING CLASS VOTED CONSERVATIVE IN GENERAL ELECTIONS BUT AT THE SAME TIME HE CONSIDERS THE OFFICIAL CONSERVATIVE PARTY TRADE UNION UNIT - A SMALL GROUP - AS REACTIONARY.)

8. THE EUROPEAN COMMUNITY: IN A VERY BRIEF PARTING RESPONSE TO A QUESTION ON THE EC, MR. PRIOR SAID THAT HE EXPECTED BRITAIN TO STAY IN THE COMMUNITY (AND EVEN BET A COUPLE OF BOTTLES OF MALT WHISKEY ON IT), THAT THE CONSERVATIVES WOULD VOTE AGAINST THE REFERENDUM BILL, AND

THAT THE PRIME MINISTER HAD ABSOLUTELY NO CHOICE BUT TO CAMPAIGN STRONGLY FOR ACCEPTANCE BY THE ELECTORATE. IF HE FAILED TO DO SO, HE ADDED, PRESIDENT GISCARD D'ESTAING WOULD NOT "LET WILSON GET AWAY WITH IT".

9. COMMENT: THE FAILURE OF THE CONSERVATIVES TO HAVE AN ALTERNATIVE POLICY TO THE SOCIAL CONTRACT IN INDUSTRIAL RELATIONS MAY BE SIMPLY TACTICAL, AS PRIOR INDICATES, BUT IT MAY ALSO REFLECT THE DEEPER SCHISMS WITHIN LIMITED OFFICIAL USE

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THE PARTY ON HOW TO PROCEED. IT APPEARS OBVIOUS THAT THE PARTY HAS NOT REALLY FOCUSED SHARPLY ON THIS FUNDAMENTAL ISSUE AND WILL BE WAITING FOR THE DUST TO SETTLE IN ITS OWN BATTLEFIELDS BEFORE IT CAN LAUNCH ANY BRILLIANT NEW EXTERNAL OFFENSIVE. IN THE MEANWHILE, IT IS CONTENT TO OPPOSE AND TO CHIP AWAY AT LABOR PARTY INITIATIVES. PRIOR, FOR ONE, HOWEVER, SEEMS TO HAVE ACCEPTED THE NOTION -- BITTERLY DEVELOPED IN THE LOSS OF TWO GENERAL ELECTIONS -- THAT SOMETHING OTHER THAN CONFRONTATION HAS ULTIMATELY TO BE ADVANCED.

10. ALTHOUGH PRIOR WAS ONE OF HEATH'S CLOSEST AND MOST INFLUENTIAL ADVISERS DURING THE LAST CONSERVATIVE GOVERNMENT, HE ENJOYS NO PARTICULAR STANDING IN THE PARTY AS AN INTELLECT OR AS A POLICY-MAKER. HE POLLED ONLY 19 VOTES ON THE SECOND BALLOT OF THE LEADERSHIP ELECTION, AND OWES HIS RETENTION IN THE SHADOW CABINET PRIMARILY TO MRS. THATCHER'S INTEREST IN KEEPING A CLEARLY IDENTIFIABLE "HEATH-MAN" ON HER TEAM. PRIOR HAS BEEN SHADOW EMPLOYMENT SECRETARY SINCE LAST AUTUMN BUT HAS YET TO ESTABLISH MUCH OF A RECORD AGAINST MICHAEL FOOT IN PARLIAMENTARY DEBATE.

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